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Investigating Stock Market Manipulations
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COMMERCIAL CRIME SEMINAR

(WESTERN CANADA)

INVESTIGATING STOCK MARKET MANIPULATIONS

MARCH 5th & 6th, 1975

EDMONTON, ALBERTA

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I. THE CLASSIC MANIPULATION

The Concise Oxford Dictionary defines 'manipulate" in the following manner:

> "To handle with skill or manage by dextrous (esp. unfair) use of influence etc"

Within the securities industry, the Investment Dealers' Association of Canada in their Canadian Securities Course define Manipulation as:

> "An illegal practice. Buying or selling a security for the purpose of creating a false or misleading appearance of active trading or for the purpose of raising or depressing the price to induce purchase or sale by others."

In the stock market, price fluctuations can be caused by many factors but when certain techniques are applied the free market is artifically disturbed. Speaking on the topic in 1933, Judge Woolsey defended the open market concept. The case before him involved defendants who had purchased large blocks of stock in a company whose shares were listed on the New York Stock Exchange. To sell these shares at constantly rising prices some niney-one nominee accounts were opened with fifty-two brokers. The

defendants bribed brokerage salesmen to tout the stock, 'washed' the stock among their own accounts and circulated false statements about the company's earnings. Judge Woolsey held that the manipulative trading itself was fraudulent and commented:

> "When an outsider, a member of the public, reads the price quotations of a stock listed on an exchange, he is justified in supposing that the quoted price is an appraisal of the value of that stock due to a series of actual sales between various persons dealing at arm's length in a free and open market on the exchange, and so represents a true chancering of the market value of that stock thereon under the process of attrition due to supply operating against demand." 1

The problem, however, is to recognize the techniques that influenced the market. In fact what the public observer is often left with is this: First a rapid price rise, then a levelling-off period, and eventually a price decline. The process that influences the price is not always obviously apparent but would have, included among other things; a 'reverse-split' or 'share roll-back', a taking out of the offerings', news circulation, 'wash trading', and a final distribution involving bribes and pre-arranged orders.

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THE REVERSE-SPLIT

The reverse-split, otherwise referred to as a 'roll-back', will reduce the number of outstanding shares and, in itself, is not an illegal procedure. However, those intent on manipulating the price will have the opportunity of determining how the stock is being held and shareholder reaction, if any. Ideally, the company should be relatively dormant but listed on a recognized stock exchange.

For example, if five million shares are outstanding and the stock is trading at 10¢ the proposal will be that five old shares will be the equivalent of one new share. If approved, the price per share will immediately adjust from 10¢ to 50¢.

The company will then approach underwriters and authorities to release additional stock for financing purposes, but, the main intent in the early stages is to gain effective control.

TAKING OUT THE OFFERINGS

Buy orders are entered into the market to remove as many offerings (sell orders) as possible. This is referred to as; 'taking out the offerings' or sometimes 'cleaning out the market'. The aim is two fold. First, it gives the insiders or promoter an increased control of the outstanding shares and reduces the 'float', a term used to describe the amount of stock trading in the market at any given time. For instance, if one million shares are outstanding and eight-hundred thousand are held or controlled by either the promoter or his affiliates, the remaining two-hundred thousand are referred to as the 'float'. Secondly, the price per share can be moved up and this is accomplished by entering buy orders at progressively higher prices.

Ashley and Smyth describe this procedure in connection with 'pool' or 'syndicate' operations. These were popular forms of price manipulation in the 1920's but because of insider legislation in recent years the shift has been towards the promoter type operation. The procedure, however, is still the same:

"A form of manipulation is to be found in the formation of secret pools or syndicates of speculators whose operations are designed to change the market prices of shares, with a view to profit. If a pool decides to increase the price of a particular share, it will start by placing buying orders on a small scale at prices slightly above the current market price; then it will gradually increase the volume of its buying at higher and higher prices." 2

NEWS CIRCULATION

Aside from providing corporate information, the circulation of news can be used to induce buying. This involves financial editorials, stock price quotes in newspapers, advertisements, exchange announcements, a prospectus, etc. The intention is to influence investors by either someone, such as a prominent editorial writer or market analyst, or something, perhaps in the form of a promising ore discovery, the anticipation of an underwriting, or even the prospects of future company earnings.

If a statement is untrue then certain things have to be considered. Careful working is of utmost importance because statements obviously false will lead to investigation. Consequently, whatever is said should have alternative interpretations. This

is sometimes referred to as 'windowdressing' or 'puffing'. For example, a telegram is sent from a drilling site to the company's head office saying, "favourable mineralization at zone 4C". The information is passed onto the financial community, stock exchange, newspapers, etc. A layman's interpretation could differ from a geologist. In fact, the words 'favourable mineralization' may be associated with any plot of ground and would therefore be a defence to subsequent prosecution.

Another tactic is the delay or non-disclosure method in terms of 'bad' or 'good' news. Texas Gulf Sulphur's discovery in 1964 near Timmins, Ontario illustrates the case where company 'insiders' were able to capitalize on privileged information.

From November of 1963 till mid April 1964 shares of Texas Gulf had risen from $17.000 to $29.000 based on the company's drilling activity in the Timmins area that started in late 1963. When the first core was pulled from the drill-hole, the usual security took place. The geologist telephoned the company president in New York and as it turned out later, reported rather excellent results.

Next various directors, officers and employees of the company purchased shares through nominee methods and acquired certain stock options. In fact, these 'insiders' had knowledge of a major ore discovery.

Rumours started circulating and on April 12, 1964 the company publicly acknowledged their drilling activity but dispelled any favourable results by saying, "the drilling to date has not been conclusive, but the statements made by many outside quarters are unreliable and include information and figures that are not available to Texas Gulf."[3] Some uninformed shareholders did sell their holdings based on this information, while these same "insiders" purchased additional shares at bargain prices. Then on April 16, 1964 the company announced the "major discovery" and the price went as high as $71.00 in 1965.

Intentional bad news is another form of manipulation, designed to depress the market price. To create this situation, "insiders' will through nominee accounts sell stock they do not hold. The practice is known as "selling short", but this can be done in the wake of bad news, such as; drilling results, success of a particular

product, etc. When the news is announced, the market will naturally react downwards, at which point these same "insiders" will repurchase stock at lower prices and satisfy their "short position". The profit is obvious.

Proper timing is important and the news should be released in conjunction with the 'reverse-split' and market activity. In other words, as soon as control is gained, news and trading activity will create a desired image. However, without co-ordination either one could be meaningless in terms of influencing the market price.

WASH TRADING

Activity attracts interest and for those intent on inducing buyers into the market, transaction referred to as 'wash trades' or 'matched orders' are put to use. The methods are relatively simple. First, accounts are opened with several brokerage firms, preferably in different provinces or jurisdictions.

At a pre-arranged time, participants to the scheme will enter orders to buy and sell so as to create an appearance of active public trading. In fact, there may be no change in beneficial ownership of the shares, or the participants have pre-arranged a 'matching' order. This distinction being that 'wash' means no change in beneficial ownership whereas 'matched' means the entry of, 'an order or orders for the purchase of such security with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the sale of any such security, had been or will be entered by or for the same or different parties'. [4] The same applies to a sell order similarly matched by a buy order.

In either case, the purpose is to create a false or misleading appearance of active public trading in a paritcular security. As a routine matter, volumes are reported instantly in brokerage firms on a public 'tape' that announces each trade as to volume and price. Another source of volume reporting is in daily newspapers.

One of the more publicized cases on the topic occurred in Toronto on July 10, 1964 in connection with the trading of Consolidated Golden Arrow Mines Limited on the Toronto Stock Exchange.

Viola MacMillan controlled a substantial position of stock and before the excharge opened on July 10th she instructed her broker to sell for two of her accounts, 244,000 shares of Golden Arrow and buy the same number for certain other accounts under her control.

This was an 'inhouse' transaction called a 'cross', where the same broker acts as the buyer and the seller and as it turned out 244,000 shares at 25¢ per share were 'cross-traded' on the floor of the exchange and promptly recorded on the public ticket tape. No explanation as to the reason for such a transaction was given by the company and undoubtedly it created a false or misleading appearance of active public trading.

Shortly afterwards, MacMillan learned that the price per share had risen to 58¢ bid and 65¢ asked. This sudden activity created a demand by the public for Golden Arrow shares and before the close of trading that day some 393,000 shares were traded. MacMillan, however, began selling at prices in the range of 50¢ to 65¢ and .....

subsequently was successfully prosecuted under the then Section 325(b) of the Criminal Code. 5.

There is still another variation and is used by those intent on not only creating activity, but at the same time gaining effective control. The process starts with the announcement of an underwriting.

The 'insider' or 'promoter' agrees with a brokerage firm to offer a specified number of shares on the floor of the exchange at a certain date and time. The usual public announcement is made and as the day approaches the promoter, through an informal arrangement, instructs the underwriting broker to sell all these shares to certain other brokers on the floor, These others have received specific buy orders from either the promoter or someone connected to the scheme and then these shares are offered, they are immediately purchased. Not only is activity created, but:

1. It creates a false demand because when the public sees how readily the shares were accepted it assumes there is investor interest and a strong demand.

2. It provides those intent on manipulation additional share control.

At some stage of the manipulation, for one reason or another, market demand declines and leads to a 'low volume' situation. If it persists, investors will become disinterested and the price will ultimately fall. For this reason, 'wash trades', involving no change in beneficial ownership will be made simply to keep volume of activity at a respectable level until such time as news can be generated in connection with the distribution or 'blow-off'.

THE DISTRIBUTION

There are various methods by which distributions are carried out but generally it involves the 'promoter' or 'insiders' in collaboration with contacts capable of pre-arranging transactions on the exchange.

The rationale is based on the premise that if stock was simply offered, without corresponding bids, it would cause a price decline. Consequently, investor buying must be designed in such a way that all possible orders will be channelled into the 'insider' or promoter's account. In effect, this will deny other participants in the market a fair and equal opportunity to sell. Incentives in the form of bribes, secret commissions, options, etc.

will facilitate the scheme.

Two witnesses at the Preliminary Hearing of Frank Naft in Toronto described the procedures used. Robert Taylor was a securities salesman at the firm of N.L. Sandler & Co. Ltd. and J.J. Quinn, a desk trader at the firm of F.I. Dupont Ltd. The examination-in-chief is by Mr. R.M. McLeod, Counsel for the Crown:

Taylor

Q. What is the first thing you recall Mr. Naft saying, if anything?

A. We spoke, we talked about - he mentioned to me that he needed some support in the stock and could I help. I mentioned the fact that I knew somebody that probably could help him and that was the discussion, pretty much most of the discussion.

Q. Did you mention the name of the person that you thought could help?

A. I did.

Q. What name did you mention to him as being a person that could assist?

A. J.J. Quinn.

Q. How could Mr. Quinn assist?

A. Well, basically by putting buying into the stock.

Q. Can you assist us, I'm sorry, Mr. Taylor, but what do you mean by putting in buying, are you referring to Mr. Quinn buying himself, or to other buying?

A. I mean that he would be talking to other people in the course of the day, he would mention the fact that Guardian Mines looked like a good situation and would recommend it to them in hopes of getting an order from them.

Q. Was there any discussion about the question of payment for such assistance?

A. There was.

Q. What, if anything, was the first thing that Mr. Naft said that you recall?

A. He wanted to know basically, what he would have to pay and I said at the time that I didn't know and we left it at that.

Q. Can you assist us at all with respect to the range of figures that you were talking about?

A. One or two cents, basically, per share.

. . . . . .

Q. Can you just describe for us, in as basic terms as possible, that part of the arrangement?

A. Well, basically what it would be is Mr. Quinn would telephone, let me know that he had an order for X number of shares, whatever it happened to be, and I would try and catch the other side through the stock exchange by using other brokers, as I explained earlier, we didn't have our own floor trader.

Quinn, in his evidence, pointed out how he would enter the buy orders and admitted receiving renumeration for doing so. Again, the important point to remember is that the transaction on the exchange is being pre-arranged in such a way that the participating 'public' is not given a fair and equal opportunity.

Quinn

Q. And early in 1970, can you assist the Court as to whether or not you had any conversation with Mr. Taylor about a stock called Guardian Mines?

A. As I know it, Bobby approached me to say that there was a stock called Guardian Mines, if I could put any buying into it.

Q. After you had this conversation with Mr. Taylor, did any orders to buy Guardian Stock come across your desk, as being in charge of the wire room at F.I. Dupont and Company?

A. It would have to come through me.

Q. And when such an order to buy came through, what did you do?

A. I phoned Bobby and tell him I was putting in some buying.

Q. And when you phoned him, what response, if any, did he make?

A. Sometimes he'd say; "fine, go ahead," or "Wait a minute," you know.

Q. So it happened in Guardian that you put in the buy after you talked to Mr. Taylor and advised him that the buy was forthcoming and you put in the order and at that time the market showed an offering of somewhat less than what you were putting in to buy?

A. Yes.

Q. And you say that fill was available immediately?

A. (nods affirmatively)

Q. Now, were you paid anything for this information that you provided?

A. Yes I was.

Q. How much were you paid?

A. I forget the exact amount, I'd say around $200.00 or $300.00.

In another case, James Colby Danielson gave evidence against H. Rosenthal and I. Kirsch in Montreal.[5] Danielson is a self-confessed distributor and in his evidence he spoke of how the arrangement worked. Ther person referred to as, "Broadley" was a floor trader on the then Canadian Stock Exchange:

Danielson:

Q. During that meeting of Saturday, January 22nd at the Mount Royal Hotel, was there any discussion as to how the fifteen per cent (15%) commission that was agreed upon would be distributed?

A. Yes. Basically ten per cent (10%) of what I did through Broadley, or of the money I did through Broadley -- ten percent (10%) of the commission would go to him, and I would keep five (5). At my option smaller percentages would go to other stock salesmen within the City of Montreal, but not excluding the City of Toronto or the City of Vancouver. If they wished to do business, I would send them money or a consideration out of my commission of fifteen per cent (15%), my gross amount.

Q. Was there any discussion as to who would pay you the fifteen per cent (15%) commission?

A. Yes. Mr. Kirsch would pay it, and Mr. Golden would act as the deliveror or the man who to hand me the money if Mr. Kirsch could not do so personally.

In recent years indications are that manipulations, and particularily the distributions, are becoming international in scope. The so-called 'jet age' has made new areas more accessible in terms of travel, communication, etc., but, there is also a new aspect to consider in the form of jurisdictional advantage. What has been referred to as a "European Distribution" is becoming more and more prevalent.

The promoter, or insiders, will hire individual(s) to approach European banks, brokerage houses and investors. The inducement to buy the particular stock is based on these points of interest:

1. Activity of buying/selling is created on a recognized stock exchange in Canada.
2. News and information in the form of investment letters, circulars, shareholders announcements, etc. are handed out.

The promoter's agent or distributor will approach an investor and show him the activity of trading volume in any financial publication together with an investment letter recommending the stock. The next step is for the investor to place a buy order, but European brokerage houses, generally, will not accept an 'overseas buy order unless funds for the purchase can be guaranteed.

The distributor will then make two crucial recommendations. First, open an account with any recognized European bank and deposit the required sum of money to cover the stock purchase. Secondly, direct the bank to open an account with a particular brokerage firm in Europe - - - since the broker is then dealing with a recognized bank the order will be accepted and the purchaser will be shown as the bank.

Unknown to the investor or the bank is that the European brokerage house will have to place the order with their Canadian correspondent, a Canadian brokerage firm who will execute the order on the exchange. There is nothing sinister about brokerage correspondents in foreign countries and information as to a particular Canadian firm's correspondent in London, England is quite easily obtainable, or for that matter any other European city.

The distributor's recommendations could be construed as quite innocent, but the importance of it is the fact that the promoter will have the 'box' selling account at the mentioned Canadian firm, so that any buy order arriving at that firm will be "crossed" with the promoter's account as a routine transaction. The advantage is really in the pre'arranging which allows the promoter to sell-off his

stock. Also consider the following:

1. Banking secrecy laws will prohibit the disclosure of the investor's identity thus making it difficult to connect the distributor to the promoter.

2. Investor complaints are frustrated by distance and the formality of investigating criminal complaints in certain countries.

3. There is a jurisdictional problem as to the place of the offence, as well as lack of investigative authority in foreign countries.

. . . . . .

II. THE INVESTIGATION

In most manipulations, only two or three people have the actual knowledge of how the scheme is being carried off. The rest are participants, assigned to perform certain functions and will include; distributors, salesmen, lawyers, accountants, geologists and public relations men. They are simply part of the organization and in some cases are being used to the extent that they may not even have knowledge of an intent to manipulate by others. Consequently, the information authorities receive is usually a limited portion of the overall scheme, whether it's from an informant, a wire-tap or an aggrieved investor.

Early in the investigation, there is an attempt to develop a basic theory of how the scheme works, who are the participants, what brokerage houses are being used, etc.

THE RELEVANT PERIOD

At this preliminary stage the most important thing to determine is in what time period the offence occurred because the analysis of one year's trading on the stock exchange, as opposed to two or three months, will involve a great deal more time and man power, not to mention expense. This is often called "the relevant period" and can usually be established from:

1. Informants who have knowledge of certain events as to time.
2. Wire-tap information, e.g. the pre-arranging of an order.
3. Reviewing the trade pattern and particularly looking for a combination of active trading and underwritings, major company announcements, etc.

One the time period has been established within a span of two or three months, the emphasis will be to develop:

1. A reconstruction of what occurred on the exchange, by document analysis.
2. Who the participants were, as will be indicated by the analysis and information.

THE STOCK EXCHANGE

The floor of the exchange is where buyers and sellers meet and as evidence of their transactions, floor tickets are made out by the selling broker. One copy goes to the buyer, one to the seller and the original is given to the exchange. On that ticket the following information appears:

1. The name and designated floor number of the selling broker.
2. The designated number of the buying broker.
3. The amount and price of the shares transacted.

The floor ticket becomes a source document from which the exchange compiles what is referred to as a print-out.

PRINT-OUT

Based on the information in the floor ticket, the computer compiles each trade in chronological order as to:

1. Quantity (number of shares)
2. Price
3. Selling Broker (identified by number)
4. Buying Broker (identified by number)
5. Time (e.g. 2:05 means the second hour of trading, fifth minute.)

Each security is listed on the print-out in alphabetical order and for purposes of evidence, the print-out may be considered as 'a record kept in the ordinary course of business'. Exchange officials, familiar with floor procedures, can be used as a witness(s) to interpret it for the court.

Having identified the brokers involved in the transaction at the exchange, the next step will be to determine who these brokers were acting as agents for.

THE TRADING BLOTTER

Each broker maintains a record of trades conducted daily in a particular security. This is usually kept in a book-type binder, in alphabetical order and date sequence so that by going to the blotter involving the relevant period, the security can be looked up and for each transaction the name of the account, and whom the broker acted for, will be shown. For further reference, the appendix has a sample copy.

To obtain this information, a search warrant as per Section 443 CC. is advisable and aside from the 'other' documents to be seized; the following is a suggested wording to be included on the face of the warrant:

> "AND FURTHERMORE to examine the trading blotter for ABC Mines Limited for the period 1 March 1974 to 1 June 74 inclusive and to obtain photostat copies thereof."

Information gleaned from the blotter will lead to a particular account, sometimes referred to as a client's ledger.

THE ACCOUNT

The account will contain all transactions by a particular person or corporation in that brokerage firm. An example is in the appendix and the information that it generally contains is:

1. Identifies the client as to name and address.
2. Identifies the registered representative (salesman) who takes instructions from the client.
3. Includes:
   a) All buy and sell orders, as to size and price.
   b) All deliveries and receipts of shares.

c) All cheques issued or received.

d) Any journal entries such as; transfers of money, shares, corrections, etc.

e) The share position - number of shares the client is holding in the account at a given time.

In other words, the account or ledger card gives a history of what transpired between the client and broker. If as a result of examining the account it is shown to be involved in the overall manipulation, e.g. nominee, box account, etc. it will be necessary to obtain documents, associated with the account, as evidence.

THE BUY/SELL ORDER

The order form to buy or sell is the source document for both the blotter and account ledger and is perhaps the most important of all in terms of evidence and completing the analysis. In fact, this is the document that starts the whole process and is usually handwritten by the salesman.

There is an example order in the appendix, but in a typical transaction the sequence would be:

1. Client calls salesman and places an order to sell '10,000 shares at $1.00.

2. The salesman fills out the sell order form and passes it to the firm's desk trader.

3. The desk trader time stamps the order and passes the information on it to the floor trader at the exchange.

4. The floor trader offers the stock and if purchased makes out a floor ticket, as described earlier, and reports the result ('fill') back to the desk trader.

5. The desk trader fills in the result and passes the information onto the salesman who informs the client.

The next step is to compare the amount, price and time on the order with the print-out from the exchange.

WITNESSES

The salesman of a suspect account is approached once the order forms, ledgers, etc. have been obtained from the firm. The main points to cover in this interview are:

1. Identify of the person(s) who placed orders on the account.

2. Have the salesman identify his writing on those order forms involved in the manipulation - subsequently these will be introduced in court through this witness.

3. Determine, what if any arrangements there were between the client and salesman as to discretion on the size and price of orders - if the salesman had a wide latitude in terms of discretion, it may be a defense.

4. Determine if the salesman received a benefit from his client, over and above the regular commission. This could be in the form of cash, gift, share certificates and an option.

Office managers of brokerage firms are generally the most knowledgeable people to call if it is necessary to prove such documents as blotters, ledgers, cheques, which pertain to day-to-day administration of records.

The interviewing of others, such as distributors, co-conspirators, promoters, etc. will be left to the discretion of the investigator, as in any other criminal investigation.

.....

SELLER'S RECORD

52

BOUCHARD & CO. LTD.

SOLD TO 43

5M SHARES GDN

33 1/2

POWTERS PRINTING LIMITED

	200	062	9	63	56	1	3 20 00		
DAILY HIGH	6.375								
DAILY LOW	6.250								
LAST SALE PRICE	6.250								
TODAYS VOLUME	500								
TODAYS VALUE	3137.500								
30699 GUAR CO N A	100	067	9	15	74	1	2 47 48	1	1 1 1
DAILY HIGH	.000								
DAILY LOW	.000								
LAST SALE PRICE	.000								
TODAYS VOLUME									
TODAYS VALUE	.000								
Ent 5/70									
30730 GUARDIAN MINES	5000	334	7	52	43	1	1 15 54	1	1 1
	500	330	7	47	43	1	2 00 22	1	1 1
	1500	340	7	63	68	1	2 10 32	1	1 1
	2000	340	7	63	43	1	2 15 41	1	1 1
	2000	330	7	47	43	1	2 17 43	1	1 1
	1000	340	7	49	54	1	2 20 48	1	1 1 1
	1500	340	7	63	43	1	2 20 49	1	1 1
	1000	340	7	49	43	1	2 20 48	1	1 1
	500	340	7	26	43	1	2 22 53	1	1 1
	500	340	7	77	43	1	2 22 54	1	1 1
	500	340	7	26	43	1	2 29 63	1	1 1
	500	340	7	77	43	1	2 29 64	1	1 1
	5000	340	7	52	43	1	2 31 65	1	1 1
	3000	340	7	15	43	1	2 31 66	1	1 1
	1500	344	7	52	43	1	2 34 69	1	1 1
	1000	340	7	06	68	1	2 43 79	1	1 1
	1000	344	7	52	43	1	2 49 84	1	1 1
	2000	340	7	60	08	1	3 33 27	1	1 1

STOCK ABBREV	QUANTITY	PRICE	RANGE	SELL TRADER	BUY TRADER	CLASS	TIME	R	V	C	B
DAILY HIGH	.345										
DAILY LOW	.330										
LAST SALE PRICE	.340										
TODAYS VOLUME	29000										
TODAYS VALUE	9822.500										
30874 GULF OIL C	40	187	9	04	40	1	4 55 76	1	1		
	100	190	9	40	17	1	4 56 81	1	1		1
	100	191	9	40	29	1	5 09 99	1	1		1
	50	190	9	60	40	1	5 11 04	1	1		
	47	190	9	04	40	1	5 11 03	1	1		
	50	190	9	24	40	1	5 11 02	1	1		
	20	190	9	41	40	1	5 13 10	1	1		
DAILY HIGH	19.125										
DAILY LOW	19.000										
LAST SALE PRICE	19.125										
TODAYS VOLUME	407										
TODAYS VALUE	7740.500										
32315 HOLLINGER	200	294	9	52	29	1	5 24 37	1	1		1
DAILY HIGH	29.500										
DAILY LOW	29.500										
LAST SALE PRICE	29.500										
TODAYS VOLUME	200										
TODAYS VALUE	5900.000										
[illegible]	100	216	9	77	19	1	1 29 24	1	1		1
	[illegible]	[illegible]	9	78	73	1	1 41 46	1	1		1
				77	67	1	1 42 55				

MAR 1 ST

STOCK ABBREV	QUANTITY	PRICE	RANGE	SELL TRADER	BUY TRADER	CLASS	TIME	R V C O
TODAYS VALUE	82,250							
03433 AQUABLAST	200	320	8	15	40	1	2 05 95	1 1 1
	300	315	8	69	40	1	2 36 55	1 1 1
	500	315	8	69	40	1	3 22 98	1 1 1
	100	310	8	66	54	1	3 20 02	1 1 1
DAILY HIGH	3,200							
DAILY LOW	3,100							
LAST SALE PRICE	3,100							
TODAYS VOLUME	1100							
TODAYS VALUE	3470.000							
03423 AQUITAINE	100	242	9	03	26	1	2 03 33	1 1 1
	100	242	9	45	26	1	2 09 54	1 1 1
	100	240	9	14	40	1	5 45 94	1 1 1
	25	237	9	14	56	1	5 45 96	1 1
	100	240	9	14	24	1	6 12 39	1 1 1
DAILY HIGH	24.250							
DAILY LOW	24.000							
LAST SALE PRICE	24.000							
TODAYS VOLUME	425							
TODAYS VALUE	10246.875							
03460 ARGUS C PR	100	114	9	19	67	1	2 11 65	1 1 1
	100	113	9	08	69	1	2 36 17	1 1 1
	25	112	9	15	56	1	2 38 20	1 1
	200	114	9	34	69	1	5 30 67	1 1 1
DAILY HIGH	11,500							
DAILY LOW	11.375							
LAST SALE PRICE	11.500							
TODAYS VOLUME	425							
TODAYS VALUE	4868.750							
03910 ARNO	2000	074	7	63	68	1	2 54 55	1 1 1
	1000	080	7	63	68	1	6 05 26	1 1 1
DAILY HIGH	.080							
DAILY LOW	.075							
LAST SALE PRICE	.080							
TODAYS VOLUME	3000							
TODAYS VALUE	230.000							
04048 ASBESTOS	5	273	9	56	15	1	1 07 51	1 1
	25	272	9	40	15	1	1 07 50	1 1 1

FIRM

TRADING BLOTTER

TRANSACTION DATE PAGE

T44 JONES GABLE & COMPANY LIMITED. NORMAL MTL & CDN STOCK EXCHANGES M

FEB. 5, 1970 3

ACCOUNT SHORT NAME	ACCOUNT NUMBER	PR	QUANTITY BOUGHT	QUANTITY SOLD	PRICE	U S	GROSS AMOUNT	COMMISSION	TAXES ONT.	TAXES QUE.	TAXES U.S.	C G E	EXCHANGE	INTEREST	NET AMOUNT	U S	TRADE NO	SETTLE INS DAT	T B
------* DEVIL,S ELBOW MINES LTD				*	21970-9	*													
L G BEAUBIEN AND	101660904			2500	32		80000	1000-							81000CR				
GIARDINE M	142748304		2500		32		80000	2000							82000				
				*				*											
------* GUARDIAN MINES LTD.				*	30730-6	*													
BOUCHARD & CO	101770614		5000		33 1/2														
			5000		34														
			2500		34 1/2		423750	5000-	424	424		-			417902				
NAFT RANDY	188309914			5000	33 1/2														
				5000	34														
				2500	34 1/2		423750	10000	424	424					412902CR				
L G BEAUBIEN AND	101660914		5000		34		170000	2000-		170		-			167830				
NAFT RANDY	188309914			5000	34		170000	4000	170	170					165660CR				
				*				*											
------* WISCONSIN MINING CO				*	73995-3	*													
L G BEAUBIEN AND	101660913		1000		39		39000	400-		39		-			38561				
L G BEAUBIEN AND	101660906		500		39		19500	200-		20		-			19280				
GOOSEI TONY	103175306			500	39		19500	500	20	20					18960CR				
* *	238519313			1000	39		39000	800	39	39					38122CR				
				*				*											

	GROSS DEBIT	GROSS CREDIT	GROSS BALANCE	COMMISSION	ONT. TAX	QUE. TAX	U.S. TAX	EXCHANGE	INTEREST	NET	PRINCIPAL P L
TOTALS	732250	732250		8700	229					8929	

Datacentre • Brokercom Services

5 FF 370

				65	162500	1750-	165	165	-			
				65	162500	1750-		165	-			
*												
[illegible] FLAGS MINES LTD			* 21970-9 *									
[illegible] & C	102603417	500		31 1/2								
		500		31	31250	400-		32	-		30819	
[illegible] &	10303111a	1000		31 4/8								
		4000		32	157500	2000-		160	-		157340	
[illegible] &	10303111a	1000		31 4/8	31500	400-		32	-		31068	
AZIL A A	12487201?		500	31 1/2								
			800	31	31250	800	32	32			30838	
ANDERS A	33403021?		1000	31 4/8								
			4000	32	159500	4000	160	160			157340	
RNOLEAVES	33403071?		1000	31 4/8	31500	800	32	32			30838	
*						*						
* FIN.COLLECTION AGENCIES			* 26123-0 *									
[illegible] &	10303111?	100		9 3/4	97500	1225-		100	-		96175	
COLD [illegible]	21703571?		100	9 3/4	97500	2450	100	100			94950	
*						*						
* CANADIAN MINES LTD.			* 30730-6 *									
GORDON EVERTS &C	10203041?		2500	33								
			2500	34	167500	2000-					159500	
FRANK MICHAEL CO	29003951?	2500		33								
		2500		34	167500	4000					171500	
GORDON EVERTS &C	10203041?		5000	33 1/2	167500	2000-					166500	
FRANK MICHAEL CO	29003951?	5000		33 1/2	167500	4000					171500	
GORDON EVERTS &C	10203041?		9000	34	301500	3600-					337900	
GORDON EVERTS &C	10203041?		1000	34	34000	400-					344000	
GORDON EVERTS &C	10203041?		2000	34	68000	800-					347200	
FRANK MICHAEL CO	29003951?	9000		34	306000	7200					313200	
[illegible]RICAN-C.P.	31042?003	2000		34	68000	1600					66400	
[illegible] A MAS	34107971?	1000		34	34000	800				P&C	33200	
GORDON EVERTS &C	10203041?		1000	34 1/2	34500	400-					34100	
GORDON EVERTS &C	10203041?		1500	34 1/2	51750	600-					34900	
CUTLER LLOYD F	17903971?	1000		34 1/2	34500	800					33700	
WALKER H J	37010021?	1500		34 1/2	51750	1200					52950	
*						*						

GROSS DEBIT	GROSS CREDIT	GROSS BALANCE	COMMISSION	ONT. TAX	QUE. TAX	U.S. TAX	EXCHANGE	INTEREST	NET

Frank Michael Co.
44 Victoria St., Ste. 2013
Toronto, Ont.

DATE MO DAY YR	BOUGHT RECEIVED LONG	SOLD DELIVERED SHORT	DESCRIPTION	SECURITY CODE	ENTRY TYPE	DEBIT	CREDIT	BALANCE	ACCOUNT BR
11 14 69	5C5CC		NEW DAVIES PETROLEUMS	472654	.13	6,817.50			2900959
11 14 69		10000	NEW DAVIES PETROLEUMS	472654	.16		1,548.40	5,269.10	2900959
11 17 69		1500	NEW DAVIES PETROLEUMS	472654	.175				2900959
11 17 69		3500	NEW DAVIES PETROLEUMS	472654	.17		831.64		2900959
11 17 69		5000	NEW DAVIES PETROLEUMS	472654	.18		874.10	3,563.36	2900959
11 26 69	5		UNITS LEISURE WORLD HOMES	391607	190.00	950.00		4,513.36	2900959
11 26 69			30500 NEW DAVIES PETE		CR		3,563.36		2900959
11 26 69		30500	NEW DAVIES PETROLEUMS	472654	DEL				2900959
12 01 69	200		FEDERAL FARMS LIMITED	258475	3.80				2900959
12 01 69	800		FEDERAL FARMS LIMITED	258475	4.00	4,058.90		5,008.90	2900959
12 02 69	500		EMBASSY PETROLEUMS LTD	250761	.64	325.50			2900959
12 02 69	1000		EMBASSY PETROLEUMS LTD	250761	.69	704.00		6,038.40	2900959
12 03 69	12500		NEW DAVIES PETROLEUMS	472654	.235	3,018.75		9,057.15	2900959
12 04 69	2000		NEW DAVIES PETROLEUMS	472654	.215				2900959
12 04 69	500		NEW DAVIES PETROLEUMS	472654	.22	556.25		9,613.40	2900959
12 02 69			5 UNITS LEISURE W H		CR		950.00		2900959
12 02 69		5	UNITS LEISURE WORLD HOMES	391607	DEL			8,663.40	2900959
12 04 69			ON A/C		CR		1,029.50	7,633.90	2900959
12 05 69			ON A/C /F RANDALL CO/		CR		556.25		2900959
12 05 69			ON A/C /F RANDALL CO/		CR		3,018.75	4,058.90	2900959
12 12 69			ON A/C		CR		4,058.90	.00	2900959
12 15 69		1500	EMBASSY PETROLEUMS LTD	250761	DEL				2900959
12 15 69		15000	NEW DAVIES PETROLEUMS	472654	DEL			.00	2900959
12 15 69		1000	FEDERAL FARMS LIMITED	258475	DEL			.00	2900959
01 07 70	5000		CHIPMAN LAKE MINES LTD	160085	.20	1,032.50			2900959
01 07 70	5000		CHIPMAN LAKE MINES LTD	160085	.195	1,000.00		2,032.50	2900959
01 09 70			1000 CHIPMAN LAKE MNS		CR		2,032.50		2900959
01 09 70		10000	CHIPMAN LAKE MINES LTD	160085	DEL				2900959
01 14 70	10000		CHIPMAN LAKE MINES LTD	160085	.16	1,650.00		1,650.00	2900959
01 19 70			ON A/C		CR		1,650.00	.00	2900959
01 28 70	10500		GUARDIAN MINES LTD.	307306	.265				2900959
01 28 70	11000		GUARDIAN MINES LTD.	307306	.255				2900959
01 28 70	6000		GUARDIAN MINES LTD.	307306	.27	7,386.25		7,386.25	2900959
01 28 70	6000		GUARDIAN MINES LTD.	307306	.27	1,659.00			2900959
01 28 70	10500		GUARDIAN MINES LTD.	307306	.265	2,830.75			2900959
01 28 70	11000		GUARDIAN MINES LTD.	307306	.255	2,876.50			2900959
01 28 70		10500	GUARDIAN MINES LTD.	307306	CXL				2900959
01 28 70		11000	GUARDIAN MINES LTD.	307306	CXL				2900959
01 28 70		6000	GUARDIAN MINES LTD.	307306	CXL		7,386.25	7,386.25	2900959
01 27 70		10000	CHIPMAN LAKE MINES LTD	160085	DEL			7,386.25	2900959
02 02 70			ON ACC		CR		7,386.25	.00	2900959
02 09 70	4000		GUARDIAN MINES LTD.	307306	.33				2900959
02 09 70	2000		GUARDIAN MINES LTD.	307306	.34	2,048.00		2,048.00	2900959
02 05 70		27500	GUARDIAN MINES LTD.	307306	DEL				2900959
02 10 70	5000		GUARDIAN MINES LTD.	307306	.335	1,715.00			2900959
02 10 70	9000		GUARDIAN MINES LTD.	307306	.34	3,132.00			2900959
02 10 70	2500		GUARDIAN MINES LTD.	307306	.33				2900959
02 10 70	2500		GUARDIAN MINES LTD.	307306	.34	1,715.00		8,610.00	2900959
02 12 70			ON A/C		CR		2,048.00	6,562.00	2900959
02 16 70			ON A/C		CR		6,520.00	42.00	2900959
02 18 70			ON A/C		CR		42.00		2900959
02 18 70		25000	GUARDIAN MINES LTD.	307306	DEL				2900959
02 23 70	2000		GUARDIAN MINES LTD.	307306	.355	726.00			2900959
02 23 70	2000		GUARDIAN MINES LTD.	307306	.355	726.00			2900959
02 23 70	2000		GUARDIAN MINES LTD.	307306	.355	726.00		2,178.00	2900959
02 24 70	1000		GUARDIAN MINES LTD.	307306	.35	358.00			2900959
02 24 70	2000		GUARDIAN MINES LTD.	307306	.35	716.00			2900959
02 24 70	2000		GUARDIAN MINES LTD.	307306	.35	716.00			2900959
02 24 70	2000		GUARDIAN MINES LTD.	307306	.35	716.00		48,000	2900959

CLIENT'S NO. 12-33022-2 SMN. NO. _____

JONES, GABLE & COMPANY LIMITED

SHEET NO. _____

NAME Liesl Apfelbaum

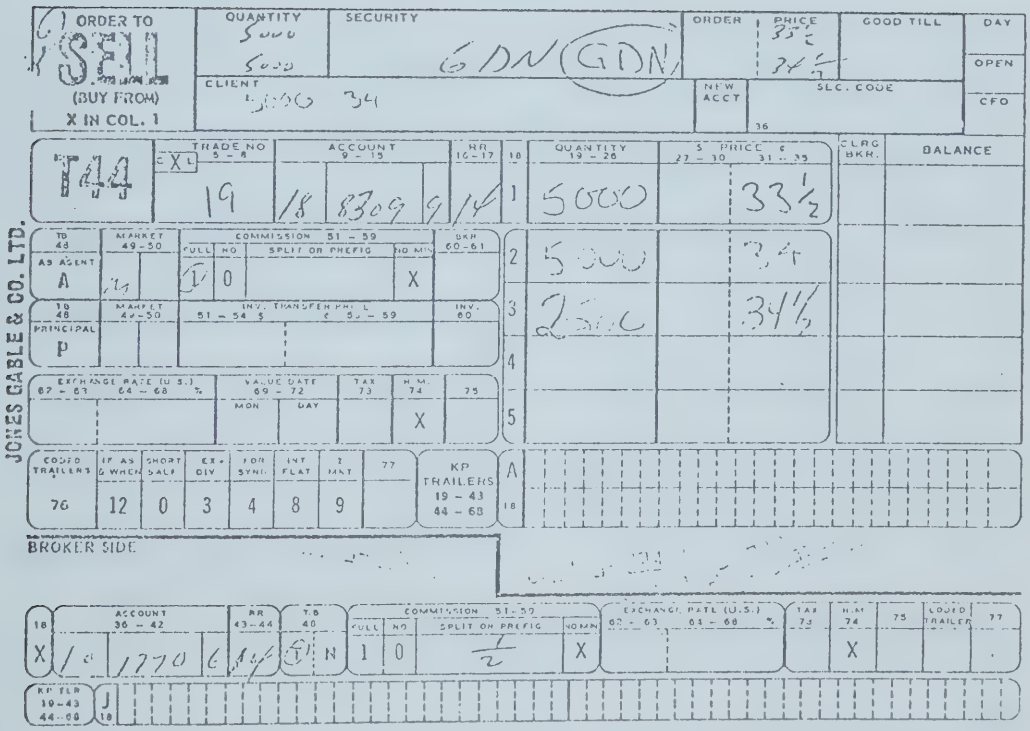
ADDRESS 10 Silver Birch Blvd
Penthouse 1
Toronto 19, Ont

INSTRUCTIONS

SECURITY AND QUANTITY PRICE AND DESCRIPTION

DATE MO	DAY	YR.	BOUGHT RECEIVED LONG	SOLD DELIVERED SHORT	DESCRIPTION	SECURITY CODE	ENTRY TYPE	DEBIT	CREDIT	BALANCE	ACCOUNT BR	SECURITY AND QUANTITY PRICE AND DESCRIPTION
02	04	70	16000		GUARDIAN MINES LTD.	307306	REC				1883099	
02	09	70		5000	CHIPHAN LAKE MINES LTD	160085	.13		623.70		1883099	
02	09	70		5000	CHIPHAN LAKE MINES LTD	160085	.13		623.70		1883099	
02	09	70		2000	GUARDIAN MINES LTD.	307306	.33		642.68		1883099	
02	09	70		3500	NEW DAVIES PETROLEUMS	472654	.17		576.00	4,779.13CR	1883099	
02	04	70			BALANCE					4,779.13CR	1883099	
02	10	70		5000	GUARDIAN MINES LTD.	307306	.34		1,656.60		1883099	0205
02	10	70		5000	GUARDIAN MINES LTD.	307306	.335				1883099	
02	10	70		5000	GUARDIAN MINES LTD.	307306	.34				1883099	
02	10	70		2500	GUARDIAN MINES LTD.	307306	.345		4,129.02	10,564.75CR	1883099	
02	05	70			BALANCE					10,564.75CR	1883099	
02	06	70			10M CHIPHAN			1,200.00			1883099	0206
02	06	70			15M NEW DAVIES			2,350.00			1883099	
02	06	70			17500 GUARDIAN			5,900.00			1883099	
02	06	70	10000		CHIPHAN LAKE MINES LTD	160085	REC				1883099	
02	06	70	17500		GUARDIAN MINES LTD.	307306	REC				1883099	
02	06	70	15000		NEW DAVIES PETROLEUMS	472654	REC				1883099	
02	11	70		500	NEW DAVIES PETROLEUMS	472654	.165		79.92	1,594.67CR	1883099	
02	06	70			BALANCE					1,594.67CR	1883099	
02	12	70		2000	CHIPHAN LAKE MINES LTD	160085	.115		219.94	1,814.21CR	1883099	0209
02	09	70			BALANCE					1,814.21CR	1883099	
02	10	70			ON ACCT			700.00			1883099	0210
02	10	70	5000		CHIPHAN LAKE MINES LTD	160085	REC				1883099	

4-1



ORDER TO SELL (BUY FROM) X IN COL. 1 | QUANTITY 5000 5000 | SECURITY GDN (GDN) | ORDER | PRICE 33½ 34¼ | GOOD TILL | DAY | OPEN | CFD

CLIENT 1390 34 | NEW ACCT | SEC. CODE 36

T44 | EXL | TRADE NO 5–8: 19 | ACCOUNT 9–15: 18 8309 | RR 16–17: 9/4

	QUANTITY 19–26	$ PRICE 27–30	¢ 31–35	CLRG BKR.	BALANCE
1	5000		33½		
2	5000		34		
3	2500		34½		
4					
5					

TD 48: AS AGENT A | MARKET 49–50: 24 | COMMISSION 51–59: FULL 1 | NO 0 | SPLIT OR PREFIG | NO MIN X | DKR 60–61

TD 48: PRINCIPAL P | MARKET 49–50 | INV. TRANSFER PHIL $ 51–54 ¢ 55–59 | INV. 60

EXCHANGE RATE (U.S.) 62–63 64–68 % | VALUE DATE 69–72: MON DAY | TAX 73 | H.M. 74: X | 75

COMBO TRAILER 76	IF AS & WHEN 12	SHORT SALE 0	EX-DIV 3	FOR SYNDIC 4	INT FLAT 8	INT MAT 9	77

KP TRAILERS 19–43 44–68 | A 18

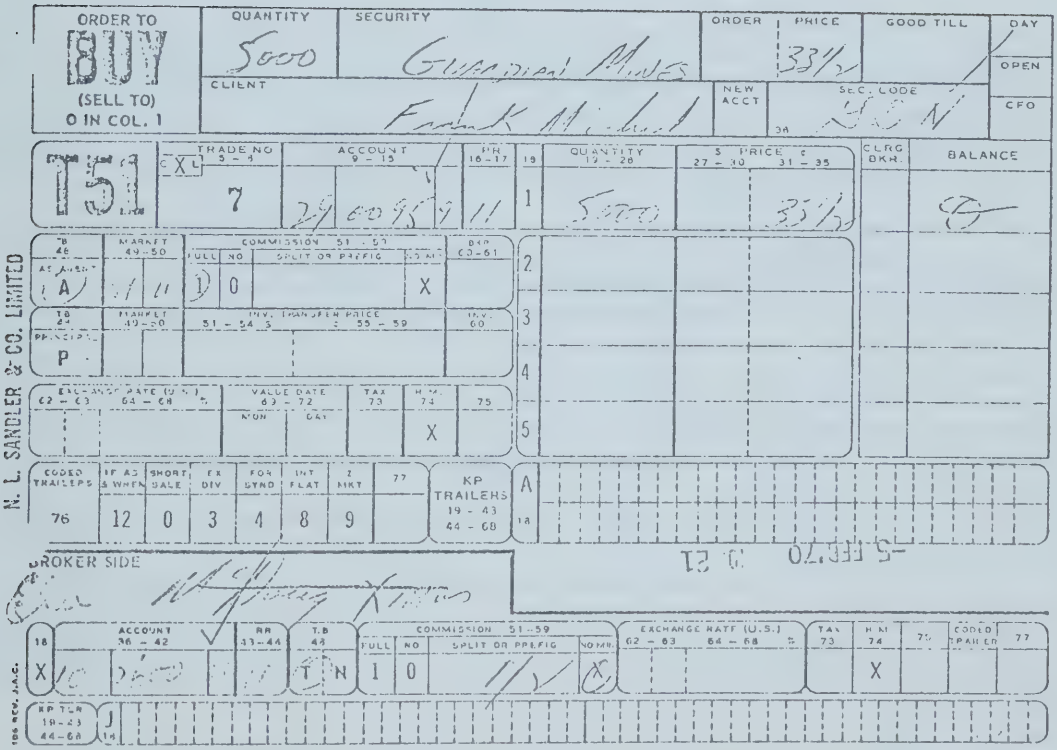
JONES GABLE & CO. LTD.

BROKER SIDE

18	ACCOUNT 36–42	RR 43–44	T.D 45	COMMISSION 51–59: FULL	NO	SPLIT OR PREFIG	NOMIN	EXCHANGE RATE (U.S.) 62–63 64–68 %	TAX 73	H.M. 74	75	LOADED TRAILER	77
X	1 a 1770	6 1/4	T N	1	0	1/2	X			X			

KP TLR 19–43 44–68 | J 18

4-2


ORDER TO
BUY
(SELL TO)
0 IN COL. 1
QUANTITY
5000
SECURITY
Guardian Mines
ORDER
PRICE
33½
GOOD TILL
DAY
OPEN
CFO
CLIENT
Frank Mitchell
NEW ACCT
SEC. CODE
T5
TRADE NO
7
ACCOUNT
PR
QUANTITY
5000
PRICE
33½
CLRG DKR.
BALANCE
MARKET
COMMISSION
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NO
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DKR CD-61
INV. TRANSFER PRICE
INV.
EXCHANGE RATE (U.S.)
VALUE DATE
MON
DAY
TAX
H M
CODED TRAILERS
IF AS & WHEN
SHORT SALE
EX DIV
FOR GYND
INT FLAT
Σ MKT
KP TRAILERS
19 - 43
44 - 68
N. L. SANDLER & CO. LIMITED
BROKER SIDE
ACCOUNT
RR
T.B
COMMISSION
EXCHANGE RATE (U.S.)
TAX
H M
CODED TRAILER
KP TRLR
19-43
44-68

NEW CLIENT'S APPLICATION

STICKER HERE | - 37 - | 11

1 FULL NAME ☐ MR ☐ MRS ☐ MISS ☐ SPECIAL — FRANK MICHAEL CO.

HOME ADDRESS,

BUSINESS ADDRESS 44 Victoria St. Suite 2019 Toronto Ont.

TELEPHONE BUSINESS 366 3335 HOME

2 TYPE OF ACCOUNT: ☑ CAN CASH ☐ CAN MARGIN ☐ U.S. CASH ☐ U.S. MARGIN ☐ CAN SHORT ☐ U.S. SHORT

CUSTOMER OBJECTIVES: ☐ SECURITY ☐ INCOME ☑ GROWTH ☑ RISK

3 WILL ANY ORDERS FOR THIS ACCOUNT BE ENTERED BY SOMEONE OTHER THAN THE CLIENT? ☐ YES ☒ NO ▶ IF YES, THEN STATE NAME

4 HAS CLIENT REQUESTED DELIVERY AGAINST PAYMENT? ☐ YES ☑ NO IF YES, INDICATE REASONS IN "R.R. COMMENTS".

5 HAS CLIENT ASKED YOU TO SHOW ANY DISCRETION IN HANDLING ACCOUNT? ☐ YES ☒ NO

6 SPECIAL DOCUMENTS OR AGREEMENTS ATTACHED: ☐ MARGIN ☐ JOINT ACCOUNT ☐ CORP ☐ TRUST OR ESTATE ☐ INVESTMENT CLUB ☐ TRADING AUTHORIZATION ☐ OTHER

7 BROKER REFERENCE, IF APPLICABLE — NAME OF BROKER Drew Jable. CITY PROV INFORMATION VERIFIED ☑

8 CLIENT'S EMPLOYER — STREET NO CITY PROV

TYPE OF BUSINESS Cable Relations. POSITION HELD President YEARS EMP Frank Huff PHONE INFORMATION VERIFIED ☐

9 R.R.'S ESTIMATE OF CLIENT'S NET WORTH: ☐ 10M ☐ 20M ☑ 50M ☐ 100M ☐ OVER 100M — HOW LONG HAVE YOU KNOWN THIS CLIENT? 2 yrs.

10 CLIENT'S AGE IS .... ☐ 21-30 ☐ 31-40 ☐ 41-50 ☐ 51-60 ☐ OVER 60 — U.S. RESIDENT ☐ YES ☒ NO — CITIZEN OF ☐ U.S. ☑ CAN. ☐ OTHER

11 CLIENT IS ..... ☐ SINGLE ☐ MARRIED WOMAN ☐ WIDOW ☐ RETIRED ☐ MARRIED MAN — IF MARRIED WOMAN, INDICATE HUSBAND'S INITIALS

12 HUSBAND'S EMPLOYER — STREET NO CITY PROV

TYPE OF BUSINESS POSITION HELD YEARS EMP. PHONE INFORMATION VERIFIED ☐

13 HOW WAS ACCOUNT ACQUIRED: ☐ CALL IN ☐ WALK IN ☐ ADVERTISING LEAD ☐ DIRECT MAIL LEAD ☑ PERSONAL FRIEND ☐ SOLICITED ☐ REFERRAL

14 NAME OF PERSON MAKING REFERRAL — RELATIONSHIP TO R.R. — INFORMATION VERIFIED ☐

15 IS CLIENT RELATED TO A N.L. SANDLER EMPLOYEE? ☐ YES ☒ NO ▶ IF YES, GIVE EMPLOYEE'S NAME

16 R.R.'S COMMENTS: (EARNINGS PER YEAR, INVESTMENT KNOWLEDGE, FORMER N.T. EMPLOYEE ETC.) Should be a good account

17 BANK REFERENCE — NAME OF BANK Tor. Dom. BRANCH 25 St Clair Ave E. CHECKING ACCOUNT ☐ SAVINGS ACCOUNT ☐ INFORMATION VERIFIED ☐

18 INITIAL TRANSACTION: ☐ DEPOSIT OF SECURITIES ☐ DEPOSIT OF FUNDS ☑ BUY ORDER ☐ SELL ORDER ☐ SECURITIES RECEIVED

DESCRIPTION OF INITIAL BUY OR SELL ORDER
50,000 Fed Devel.

19 REGISTERED REPRESENTATIVE — DATE Nov 10/82 — [signature]

SALES MANAGER OR DELEGATE — DATE

DIRECTOR — DATE Nov 8/82 — [signature]

2—OFFICE COPY

F O O T N O T E S

1. United States v. Brown, 5 F. Supp. 81, 85 (S.D.N.Y. 1933)

2. Ashley, C.A., Smyth, J.E., Corporation Finance in Canada, The MacMillan Company of Canada Limited, 1956, P. 91.

3. Manne, Henry G., Insider Trading and the Stock Market, The Free Press, New York 1966.

4. Loss, Louis, Securities Legislation, Vol. 3, Little, Brown and Company, 1961, Section on Manipulation P. 1547.

5. R. v. MacMillan, C.C.C., 1968, P. 289

6. R. v Rosenthal and Kirsch, Nov. 1974